

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 A-01 ABF-01 DRC-01 RSC-01 (ISO) W

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R 041225Z DEC 73

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 8728

C O N F I D E N T I A L SECTION 1 OF 2 BANGKOK 18841

E.O. 11652: GDS

TAGS: AFSP, MARR, TH

SUBJECT: GAO REPORT "RESTRICTIONS ON US PROCUREMENT ACTIVITIES
IN THAILAND"

REFS: A) STATE 226531; B) STATE 236846

1. SUMMARY: WE ASSUME THAT THE GAO REPORT, WHEN RELEASED, WILL BE PICKED UP BY THE THAI PRESS. THERE ARE SEVERAL IMPORTANT POINTS IN THE DRAFT REPORT WHICH IN OUR VIEW ARE NOT OBJECTIVE, COMPLETE, AND/OR ATTUNED TO THAI TE SENSITIVITIES. THESE POINTS WOULD NOT PROMOTE HERE GAO'S OBJECTIVES OF EFFICIENCY AND ECONOMY; RATHER THEY WOULD LEND THEMSELVES TO EXPLOITATION BY THAI CRITICS OF THE AMERICAN PRESENCE. EMBASSY, THEREFORE, RECOMMENDS THAT DEPARTMENT MAKE EFFORT TO PERSUADE GAO TO EDIT, DELETE, OR AT LEAST CLASSIFY THESE POINTS. END SUMMARY.

2. PARTICULARLY TROUBLESOME POINTS, WHICH WILL BE DISCUSSED INDIVIDUALLY, ARE:

A. THE CLASSIFIED SPECULATION ON PAGE 1 AND THE UNCLASSIFIED SPECULATION ON PAGE 19 THAT THERE WILL BE A LARGE US MILITARY PRESENCE HERE FOR QUITE SOME TIME.

B. THE IMPLIED CRITICISM OF RTG ON PAGES 2 AND 19 FOR NOT SEEING THINGS THE GAO WAY IN SPITE OF SUBSTANTIAL FINANCIAL BENEFITS FROM THE AMERICAN PRESENCE.

C. THE RECOMMENDATION ON PAGES 3, 17, AND 20 T ZT
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WE BE DIRECTED TO MAKE EVERY EFFORT TO NEGOTIATE AN

AGREEMENT OR AGREEMENTS THAT WILL RESOLVE THE SOLE SOURCE PROCUREMENT AND ACCESS TO BASES PROBLEM. PARTICULARLY UNHELPFUL IS THE SUGGESTION THAT THE RECENT CHANGE OF GOVERNMENT OFFERS AN OPPORTUNITY TO REOPEN NEGOTIATIONS ON THESE ISSUES.

D. THE MISREPRESENTATION OF THE EMBASSY'S POSITION ON "RESISTANCE" TO RTG CONSTRAINTS ON PAGE 4 AND 16.

E. THE FAILURE TO TAKE INTO ACCOUNT THE RTG'S POSITION THAT ITS CONSTRAINTS ARE NECESSARY TO ENABLE THE RTG TO ASSUME RESPONSIBILITY FOR THE SEVERITY OF USG CARGO (PAGES 9 AND 17).

3. THE PRESENT INTERIM RTG HAS ITS HANDS FULL TRYING TO COPE WITH SERIOUS DOMESTIC UNREST AND AT SAME TIME PREPARE FOR TRANSITION TO CONSTITUTIONAL CIVILIAN GOVERNMENT. IT HAS SOLICITED OUR COOPERATION IN TRYING TO KEEP THE AMERICAN MILITARY PRESENCE FROM BECOMING ANOTHER BURNING PUBLIC ISSUE IN THIS DIFFICULT PERIOD. POINTS A, B, AND C WOULD, IF PICKED UP BY THE THAI PRESS, BE MOST UNHELPFUL IN THIS REGARD.

4. SPECULATION IN AN OFFICIAL US DOCUMENT THAT THERE WILL PROBABLY BE A "LARGE" US PRESENCE HERE "WELL INTO THE FUTURE" WOULD UNDERCUT THE FREQUENTLY EXPRESSED RTG POSITION THAT CONTINUANCE OF THE US PRESENCE IS SUBJECT TO THAI APPROVAL WHICH IN TURN WILL BE DECIDED ON BASIS OF RTG ASSESSMENT OF THAI SECURITY INTERESTS. EMBASSY INFORMED GAO THAT WE HAD NO FIRM GUIDANCE ON THE LONGER-TERM PRESENCE WHICH, IN ANY CASE, IS SUBJECT TO NUMBER OF IMPONDERABLES ON BOTH THAI AND US SIDES.

5. IMPLIED CRITICISM OF RTG FOR IMPOSING CONSTRAINTS IN SPITE OF FINANCIAL BENEFITS WOULD WIN US LITTLE OR NO SYMPATHY FROM NATIONALIST-MINDED THAI BUT RATHER WOULD STIMULATE RENEWED OUTBURSTS FROM THE MANY ARTICULATE CRITICS OF THE US PRESENCE WHO HAVE ALREADY CONTENDED THAT THE RTG HAS BEEN OVERLY LIBERAL IN ITS DEALINGS WITH THE US. IT WOULD ALSO STIMULATE THOSE CRITICS WHO

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HAVE QUESTIONED THE OVERALL EFFECTS OF THE AMERICAN PRESENCE IN TERMS OF THAI INTERESTS TO CHALLENGE THE GAO REASONING.

6. THE THANOM GOVERNMENT HAD ALREADY INITIATED NEGOTIATIONS WITH US DESIGNED TO REDUCE THE LARGE NUMBERS OF FOREIGN CONTRACTOR PERSONNEL WE HAVE IN THAILAND AND TO INCREASE

OPPORTUNITIES FOR THAI FIRMS. OTHER NEGOTIATIONS WERE INITIATED TO INSTITUTE TIGHTER CONTROLS AND LIMITATIONS ON US IMPORTS OF DUTY-FREE GOODS. THERE IS EVERY REASON TO ANTICIPATE THAT THE PRESENT INTERIM GOVERNMENT AND ANY GOVERNMENT LIKELY TO SUCCEED IT WILL CONTINUE THIS TREND OF REQUIRING MORE CONSTRAINTS, NOT LESS, ON A WIDE RANGE OF MATTERS ASSOCIATED WITH OUR MILITARY PRESENCE. MACTHAI AND THE EMBASSY ARE RESISTING NEW CONSTRAINTS WHICH WOULD SERIOUSLY AFFECT OUR ESSENTIAL MILITARY REQUIREMENTS. WE FACE A SERIOUS CHALLENGE IN TRYING TO NEGOTIATE PRESERVATION OF MANY LIBERAL ARRANGEMENTS WE NOW ENJOY. THE CLIMATE IS, THEREFORE, NOT NEW PROPITIOUS FOR NEGOTIATING MORE LIBERAL ARRANGEMENTS.

7. IN OUTLINING THE EMBASSY'S POSITION ON "RESISTANCE" TO RTG CONSTRAINTS, GAO IS ACTUALLY REFERRING TO THE EMBASSY'S RESPONSE TO A QUERY RE WHAT WOULD HAPPEN IF THE US "REFUSED TO YIELD" TO THE RTG CONSTRAINTS. WE POINTED OUT THAT WE DID IN FACT RESIST THE 1972 CONSTRAINT ON STEVEDORING SERVICES UP TO THE POINT WHERE THE RTG ADVISED US ORALLY AND CONFIRMED IN WRITING THAT WE HAD NO CHOICE IN THE MATTER. THE RTG SPOKESMAN TOLD US AT THE TIME THAT THE RTG CONSIDERED THAT IT HAD THE SOVEREIGN RIGHT TO REQUIRE US TO DEAL ONLY WITH ETO FOR THESE SERVICES AND THAT THIS WAS THE ONLY WAY IT COULD ACCEPT RESPONSIBILITY FOR THE SECURITY OF US GOODS.

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TO SECSTATE WASHDC 8729

C O N F I D E N T I A L SECTION 2 OF 2 BANGKOK 18841

8. THE SECURITY ARGUMENT HAS ALSO BEEN CITED BY THAI BASE COMMANDERS IN DENYING BASE ACCESS TO WOULD-BE CONTRACTORS. WHILE WE FULLY RECOGNIZE THAT THERE MAY WELL HAVE BEEN OTHER CONSIDERATIONS IN PARTICULAR CASES AND

THAT CONTRACTING WITH THAI GOVERNMENT ENTITIES OR INDIVIDUALS DOES NOT AUTOMATICALLY ENSURE IDEAL SECURITY, WE ARE NOT IN A POSITION TO REFUTE THE THAI ARGUMENT THAT PRIVATE BASE CONTRACT PERSONNEL HAVE IN A NUMBER OF INSTANCES ABUSED THEIR BASE ACCESS PRIVILEGE TO PILFER AND DIVERT DUTY-FREE GOODS TO THE BLACK MARKET. THAI OFFICIALS HAVE ALSO RAISED THE DANGER THAT SOME US ITEMS COULD BE DIVERTED IN THIS WAY TO INSURGENTS.

9. WE THINK IT IS IMPRACTICAL TO CALCULATE WHETHER AND HOW MUCH THE US MIGHT HAVE PAID IN EXCESS COSTS AS A CONSEQUENCE OF RTG CONSTRAINTS ON PROCUREMENT AND BASE ACCESS. ONE REASON IS THE DIFFICULTY OF FACTORING IN THE SECURITY ANGLE. ANOTHER IS THE DIFFICULTY OF CALCULATING THE COST AND POLITICAL CONSEQUENCES OF OUTRIGHT DEFIANCE OF RTG EDICTS. WE RECOGNIZE THE NEED TO OFFER THE FULLEST POSSIBLE EXPLANATION OF THE SITUATION TO CONGRESS, BUT MUST STRESS OUR VIEW THAT UNCLASSIFIED DISSEMINATION OF OUR FULL VIEWS ON THIS MATTER WOULD NOT ADVANCE HERE OUR EFFORTS TO NEGOTIATE THE BEST POSSIBLE TERMS FOR WHATEVER CONTINUED MILITARY PRESENCE MAY BE JOINTLY AGREED BY THE US AND THAILAND.

10. OUR COMMENTS ON CLASSIFICATION OF OTHER PARTICULAR ITEMS IN THE GAO DRAFT FOLLOW:

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A. WE SEE NO PROBLEM IN DECLASSIFICATION OF THE APPROXIMATE NUMBER OF US MILITARY PERSONNEL HERE (PAGE 1). THE LATEST FIGURE THAT HAS BEEN CITED PUBLICLY IS "APPROXIMATELY 38,000."

B. WE SEE NO PROBLEM WITH DECLASSIFYING TOTALS OF US EXPENDITURES HERE (PAGES 2 AND 19) PROVIDED THERE IS NO EXPLICIT LINKAGE TO RTG CONSTRAINTS. IT IS MISLEADING, HOWEVER, TO SUGGEST THAT OUR TOTAL INVESTMENT IN BASES BENEFITS THE THAI ECONOMY; MUCH OF THE EXPENDITURE PRESUMABLY PAID FOR IMPORTED US EQUIPMENT, FOR EXAMPLE. EVENTUAL RESIDUAL VALUE FOR THAILAND WILL BE SMALL FRACTION OF TOTAL COSTS. THE REFERENCE TO "HUNDREDS OF MILLIONS OF DOLLARS BEING SPENT HERE BY US GOVERNMENT AGENCIES AND ATTACHED PERSONNEL" MIGHT BE MORE PRECISELY RELATED TO A TIME FRAME. OUR ESTIMATE OF ANNUAL EXPENDITURES FOR 1972 IS ABOUT \$160 MILLION.

C. WE CAN AGREE TO DECLASSIFICATION OF THE INTRODUCTORY PARA ON PAGE 5.

D. WE DO NOT OBJECT TO DECLASSIFICATION OF THE SECOND PARA ON PAGE 16. WE DO OBJECT TO DECLASSIFICATION OF THE THIRD PARA FOR REASONS STATED IN PARAS 7 AND 9 ABOVE.

E. WE DO NOT OBJECT TO DECLASSIFICATION OF THE FIRST SENTENCE ON PAGE 17, BUT RECOMMEND ADDITION OF REFERENCE TO RTG JUSTIFICATION OF CONSTRAINTS ON BASIS THIS WAS NECESSARY TO ENSURE THE SECURITY OF US GOODS.

F. THE QUOTED EXTRACT FROM THE CHARGE'S LETTER ON PAGE 17 IS FROM A "CONFIDENTIAL" COMMUNICATIN; WE DO NOT OBJECT TO DECLASSIFICATION OF THIS EXCERPT.

G. FOR REASONS ABOVE, WE RECOMMEND THAT THE CONFIDENTIAL PARA ON PAGE 19 EITHER BE AMENDED OR RETAIN ITS CLASSIFICATION.

H. VARIOUS COMMENTS ABOVE INDICATE OUR VIEWS ON THE CONFIDENTIAL

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FINAL UNCLASSIFIED PARA AND RECOMMENDATION.
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